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31

INTELLIGENCE MEMORANDUM

GOMULKA AND THE POLISH ECONOMY

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GOMULKA AND THE POLISH ECONOMY*

Summary and Conclusions

Polish Communist Party Secretary Wladyslaw Gomulka, on his return to power, charged in his speech to the Eighth Polish Plenum on 20 October that too rapid efforts to expand industry on a broad scale and overzealous pressure to collectivize private farms, coupled with disregard for sound economic management, had disorganized the Polish economy, committed investments unprofitably, and wasted labor in such a way as to render the country "insolvent" to the USSR and delinquent also to its own workers.

Poland, although the largest European Satellite in area and population, ranks third in gross national product per capita. Largely an agricultural and mining economy at the end of World War II, Poland has subordinated agriculture and light industry in order to speed development of mining and heavy manufacturing. In tripling the output of the machine-building and defense industries during the Six Year Plan (1950-55), Poland outstripped even the expansion of its coal industry, which is its chief raw material asset, and became dependent on imports for other industrial raw materials and food. Although food availability per capita has returned to prewar levels, food distribution has not kept pace with rapid urbanization. The quality of the diet and of consumer goods has not improved commensurately with the growth of the economy or the effort extracted from the workers. Housing has been allowed to deteriorate.

Under Soviet domination since World War II, the industrial, trading, and financial sectors of the economy were socialized, but in agriculture, although large estates were expropriated, only about one-fifth of the arable land has been socialized -- less than in any other European Satellite. Nevertheless, pressure to collectivize has dampened incentive in private agriculture and has had a deleterious effect on output. Polish foreign trade has been reoriented from the Free World to the Soviet Bloc, the Polish economy is being integrated

* The estimates and conclusions contained in this report represent the best judgment of ORR as of 1 November 1956.

S-E-C-R-E-T

S-E-C-R-E-T

under CEMA into the economy of the Bloc, and Poland is participating with some success in the Soviet-inspired movement to achieve penetration of the underdeveloped economies. Industrialization and recovery from the war have been facilitated by Soviet loans totaling at least US \$640 million,* the most recent in September 1956.

Professing loyalty to Communist doctrine and friendship for the USSR, Gomulka, in his speech of 20 October, confined his criticisms to the manner in which his predecessors sought to build a road to socialism. If he should consolidate his position, it may be expected that the rate of industrialization will be slowed down and that some investments will be shifted from heavy industry to consumer goods, housing, and agriculture. Tighter control may be exercised over state funds, and closer cost accounting may be applied to production control and pricing. The workers may be allowed some representation in factory management on a limited experimental basis, but chiefly to win their support to the regime and, in particular, to its efforts to increase labor productivity. Forced collectivization of private farms may be replaced by a long-run program to persuade private farmers to join collectives voluntarily and to bring the efficiency of the socialized sector of agriculture up to that of private farming.

Little can be done in the short run to improve the quality and availability of food and consumer goods except through imports supported by external assistance, and Gomulka has made no promises of an immediate rise in the standard of living except to request the workers to produce more, better and more cheaply.

In foreign trade, Gomulka's policy may be conditioned by his staunch Communism, his nationalism, and Poland's immediate capabilities. Gomulka's position will be strengthened by Poland's coal surplus. This surplus, however, is balanced by Poland's dependence on imports for most other industrial raw materials and some foodstuffs. Instead of abandoning CEMA and the Bloc, Gomulka may use the national sentiment of the Polish people as a lever to win better terms of trade and a more attractive role for Poland in CEMA. At the same time, to improve his position in the Bloc, Gomulka may be tempted to woo trade and aid from the West. Any success achieved in this respect would reduce his absolute dependence

* Unless otherwise specified, all dollar values in this report are in terms of US dollars, converted at the official exchange rate of 4 zlotys = US \$1.00.

S-E-C-R-E-T

S-E-C-R-E-T

CONTENTS

	<u>Page</u>
Summary and Conclusions	1
I. The Gomulka Speech	3
A. The Main Problems	3
B. Gomulka's Plans for the Future	4
II. Polish Internal Economic Situation	5
A. Gomulka's Points	5
B. Over-All Strength and Trends in the Economy	5
III. Soviet Domination of Polish Economic Affairs	8
A. Form of Soviet Domination	8
B. Impact on the Polish Economy	8
1. Remaking of the Polish Economy	8
2. Reorientation of Trade and Its Effects	8
3. Specialized Economic Role Within the Bloc Economy	10
4. Soviet Aid to Poland	11
5. Industrial Productivity	11
6. Farm Output and Productivity	12
7. Inflation and Poor Distribution	12
IV. Possibility of Changes in Poland's Economic Program	12
A. Domestic Program	12
1. Industry	13
2. Agriculture	13
3. Consumer Goods	13
4. Industrial Management	14

S-E-C-R-E-T

	<u>Page</u>
B. Foreign Trade	14
1. Soviet Bloc	14
2. Trade Policy	15
3. Council of Mutual Economic Assistance (CEMA)	15
4. Economic Penetration Movement	16

- iv -

S-E-C-R-E-T

S-E-C-R-E-T

on the Bloc. Other factors being equal, Gomulka will continue to support the Soviet economic penetration policy, both because he is a Communist and because such trade offers a natural exchange of Polish industrial products for the raw materials which Poland urgently needs.

I. The Gomulka Speech.

A. The Main Problems.

Citing statistical examples from the coal-mining industry and from agriculture, Polish Communist Party Secretary Wladyslaw Gomulka charged in his speech to the Eighth Polish Plenum on 20 October that misguided planning had overextended the Polish economy to a state of insolvency from which it has since been saved only by a Soviet moratorium on its obligations. Gomulka conceded the accuracy of official statistics, which show that the economy had made substantial progress during the Six Year Plan (1950-55): Professing loyalty to Communist doctrine, faith in the Poznan workers, and regard for the USSR, he nevertheless castigated the way in which Polish Communism had exercised its responsibility since coming to power.

Without attacking Poland's policy of developing industry as such, Gomulka accused the top economic planners of having forced industrialization at so rapid a rate as to indicate ignorance of the interrelationship in the parts of an economic system, as well as neglect of the welfare of the workers. In summary, he charged

1. That industry had been extended so rapidly as to outdistance the raw materials base.
2. That uneconomic decisions had been made as to which branches of industry to emphasize.
3. That investment funds had been misallocated in equipping plants to produce outmoded and therefore uneconomic products, such as at the Zeran automotive plant.
4. That at the same time that heavy investments were being made in new plants, other plants were not fully utilized.

- 3 -

S-E-C-R-E-T

S-E-C-R-E-T

5. That uneconomic use had been made of labor. (Gomulka pointed out in this connection that the impressive 20-million-metric-ton increase in output of hard coal had been achieved largely by exhausting overtime work and that labor productivity underground had slipped by 7.7 percent during the Six Year Plan. He charged that in other instances labor was being underemployed, particularly in industries suffering from irregular supplies of raw materials. Also, he asserted that labor was being squandered by excessive administrative tasks.)

6. That because of the goal for industrial expansion, other sectors of the economy had been neglected to the extent that -- in the case of housing construction, for example -- more housing was annually wearing out than was being replaced.

7. That production of consumer goods had been neglected to such a degree as to create an inflationary gap in the face of full employment.

8. That in agriculture the passion for collectivization, which had succeeded in establishing 10,000 cooperative farms from 1949 to 1955 by giving special treatment in credits, quotas, wages, supplies, MTS assistance, and other advantages, had resulted in these farms producing less than their share of produce, livestock, or output per hectare (in constant zlotys) than the harassed and heavily taxed private farmers.

B. Gomulka's Plans for the Future.

Gomulka offered no easy panaceas to the masses. Ruling out immediate wage increases and overnight improvements in the supply of consumer goods as physically impossible, he fashioned tough answers demanding the cooperation of the intelligentsia, the workers, and the peasants. Instead of proffering bread to bridge the gap between workers and economic planners, he proposed economic reforms under which

1. Administratively arbitrary decisions as to production and price policy would be superseded by realistic cost analysis.

2. Although not stated but implied, the Second Five Year Plan investment in industry would be cut back in favor of further increases in output of consumer goods and agricultural commodities.

- 4 -

S-E-C-R-E-T

S-E-C-R-E-T

3. The inflationary gap would ultimately be closed by the alternative of increasing the output of goods rather than by reducing purchasing power.

4. Manpower would be used more efficiently either by supplying idle workers with ample raw materials or by transferring them to other production for which supplies were available.

5. In response to popular demands for worker participation in industrial management, according to the Yugoslav model, immediate small-scale experiments would begin, based on technically established norms and offering bonus incentives to improve labor productivity.

6. The creation of cooperatives by force would be ended, although the concept of collectivization would be retained. (Gomulka submitted instead the attraction of truly voluntary, self-governed cooperatives which must make profits or disband. He urged the substitution of repayable investment credits for state grants to the cooperatives. To the private farmer he promised an expedited reform of the quota system. He vowed that the state farms would be thoroughly reorganized.)

II. Polish Internal Economic Situation.

A. Gomulka's Points.

Gomulka's criticisms of recent Polish economic policy, as far as they go, are in general well founded. Open to question, however, is the reasoning behind Gomulka's hard but determined advice to the populace that improvement in wages must depend solely on an increase in labor productivity. Despite a gesture of unknown dimensions toward the reduction of investment, Gomulka, like most Marxists, is apparently reluctant to tinker with the economy in such a way as to reduce radically the amounts set aside for development.

B. Over-All Strength and Trends in the Economy.

Poland, whose area of 120,000 square miles exceeds that of any other European Satellite, also ranks first in population, with 27.3 million persons (mid-1955), as well as in gross national product (GNP), which totaled \$22 billion in 1955.* Polish GNP per capita

* Measured in 1955 US dollars.

S-E-C-R-E-T

amounted to only \$810 in 1955, however, which placed Poland below both East Germany (\$990) and Czechoslovakia (\$850). During the period of the Six Year Plan, Polish GNP is estimated to have increased by 72 percent.

Industrial production in Poland was scheduled to increase 158 percent during the Six Year Plan, or an average increase of 18 percent per year, a figure that was subsequently revised upward. Actual growth officially claimed during the period was 181 percent. Intelligence estimates recognize that while Polish industrial output grew very rapidly during the Six Year Plan, goals for many industrial products were so underfulfilled as to scale down the average industrial growth rate to about 11 percent annually, or a total of 85 percent for the period. Heavy industry is believed to have increased by 107 percent, but, in contrast, light industry expanded by only 51 percent.

During the Six Year Plan, Poland almost tripled the output of its machine building and defense industries. A significant share of industrial production is now represented by items not produced, or produced only in negligible quantities, before 1949, such as motor vehicles, boilers and turbines, antifriction bearings, agricultural machinery, pharmaceuticals, and synthetic materials, as well as a wide range of consumer durables.

This rapid expansion of industrial production made great demands upon Poland's natural resource base, which, like that of the other European Satellites, is limited in extent. Despite a 72-percent increase in the output of industrial raw materials, Poland must rely heavily on foreign sources of supply in order to maintain its engineering industry.

Poland's leading raw material asset is hard coal, the output of which reached 94.5 million metric tons in 1955, an increase of 28 percent during the Six Year Plan. In 1955, Poland produced 42 percent of the solid fuel (hard coal equivalent) mined in the European Satellites. Moreover, Polish coal, because it is of coking quality, is in strong demand in the export market. Not only has this coal been the basis for the Polish steel industry, but also 24 million tons were exported in 1955 (30 percent to the USSR) to help sustain the industry of the Soviet Bloc as well as to provide Poland with its chief source of foreign exchange and credit. Failure to expand coal output as rapidly as domestic demand is forcing Poland

S-E-C-R-E-T

to reduce exports of coal. As implied by Gomulka, output per man is low, mechanization has lagged, and the mines have been over-exploited and undermaintained.

Together with the other European Satellites, Poland is deficient in high-quality iron ore and must import 70 percent of its requirements, mainly from the USSR. Nevertheless, during the Six Year Plan Poland has built a steel industry with an output of over 4 million tons, second in the European Satellites only to that of Czechoslovakia, and with a steel output almost twice that of 1949. Except for lead and zinc, Poland is dependent on imports for non-ferrous metals.

During the period of the Six Year Plan, 45 percent of centrally allocated investments were scheduled for industry and about 12 percent each to agriculture and housing. Actually industry received 51 percent, agriculture only 9 percent, and housing about 14 percent of investments during the period. Investments increased about 115 percent, whereas consumption of goods increased only 39 percent. Consumption of goods per capita rose by 24 percent, but because of severe shortages of certain commodities, the poor system of distribution, and a decline of housing space per capita in urban areas, the people may not feel that they are better off than in 1949. Even official statistics show that money wages in many occupations have increased more slowly than the cost of living.

Agricultural production, although scheduled to increase by 50 percent from 1949 to 1955, is estimated to have increased by only 18 percent, a return to levels approximating those of the prewar period. Although farm collectivization was successfully resisted by the peasants and little more than one-fifth of the land is integrated into the socialized sector, the hostile government policy toward private farmers inhibited farm investment and production incentives. Rapid urbanization has been a drain on the farm labor supply. Moreover, the traditional pattern of agricultural output was altered by the effort to develop industrial crops. As the result of the greater postwar emphasis on industrial crops, however, the 1955 domestic food output (on a caloric basis) was only 85 percent of the prewar level. By resort to foreign sources of supply it was possible to achieve a domestic average per capita caloric availability for the 1955/56 crop year of 107 percent of prewar, compared with 110 percent in 1954/55. This estimate places Poland ahead of the other European Satellites in daily caloric food

- 7 -

S-E-C-R-E-T

S-E-C-R-E-T

availability. The Polish diet now contains more meat than current diets in East Germany and Czechoslovakia. Poland is presently a deficit food producer in contrast to its prewar position. It now imports more than 0.5 million metric tons of grain annually, whereas before the war it exported over 1.5 million metric tons annually. Rapid urbanization during the Six Year Plan has aggravated the problem of food distribution. Peasants and workers may well feel that they have been asked to sacrifice too much for too long in food and other consumer goods to sustain the plans for all-out industrialization.

III. Soviet Domination of Polish Economic Affairs.

After the Communist Party consolidated and broadened its control over the Polish economy, Poland embarked, under Soviet control and guidance, on its Six Year Plan to hasten industrialization by all possible means while playing the role of a satellite in relation to the economy of the USSR.

A. Form of Soviet Domination.

Soviet control over Polish economic development has evolved from peremptory dictation of policy by advisers and technicians operating on a unilateral basis to a system of domination based on multilateral arrangements through CEMA. Although CEMA has been in existence since 1949, it was not seriously implemented until 1955, when goals were formulated for the 1956-60 planning cycle of the European Satellites.

B. Impact on the Polish Economy.

1. Remaking of the Polish Economy.

Under Soviet domination, Poland first socialized its industry, trade, and finance and expropriated the large farm holdings. Goals were established in the Six Year Plan to superimpose a machine-building industry on an economy which had been predominantly agricultural and extractive.

2. Reorientation of Trade and Its Effects.

Ninety-three percent of prewar Poland's total trade (averaging \$438 million annually) was with countries not at present in the Soviet Bloc. Of Poland's total exports to Western countries in 1930-35,

- 8 -

S-E-C-R-E-T

S-E-C-R-E-T

food comprised 33 percent; coal, 16 percent; wool products, 16 percent; and metals and metal products, 10 percent. Imports from Western countries consisted of industrial raw materials, 42 percent; machinery and transport equipment, 13 percent; and food and food products, 12 percent. Coal and industrial raw materials comprised Poland's principal exports to present Bloc countries, whereas food and textiles were the major imports from these areas.

Under Soviet domination, Poland's foreign trade has been redirected toward the Soviet Bloc countries. In 1953, trade with the Bloc reached its peak (70.3 percent of the total), and in 1954 trade with the USSR reached the highest level yet attained (37.6 percent). In 1955, trade with the Bloc declined to 63 percent of total trade, and with the USSR to 32 percent. Among the non-Communist trading partners of Poland in 1955 the UK, West Germany, Argentina, Finland, and France, in that order, were the most important.

Although data on the commodity composition of 1955 trade (a total value of about \$1,850 million) are not available by geographic region, a comparison of total exports and imports in 1938 and 1955 shows the broad changes in the commodity composition of trade, as follows:

Commodity Composition of Polish Foreign Trade
1938 and 1955

Commodity	Percent of Total Imports and Exports			
	Imports		Exports	
	1938	1955	1938	1955
Raw materials	53.8	51.7	45.2	64.4
Machinery and transport equipment	23.0	30.9	0	13.1
Foodstuffs	13.0	13.1	12.5	15.3
Consumer goods	10.2	4.3	42.3	7.2
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Poland is especially dependent on the USSR for imports of certain commodities. Evidence indicates, however, that in 1955 Poland decreased its imports of many agricultural products and raw materials from the USSR. Of total Polish imports in 1954, the following percentages are estimated to have come from the USSR: iron

S-E-C-R-E-T

ore, 60 percent; manganese, 75 percent; copper, 50 to 80 percent; aluminum, 50 percent; synthetic rubber, 100 percent; cotton, 82 percent; and breadgrains, 70 percent.

From an exporter of agricultural products and industrial raw materials in the prewar period, Poland has sought by reason of its rapid industrialization to become an exporter of machinery products. Despite the decline in the volume of grain exports, however, Poland is still primarily an exporter of raw materials rather than of machinery products. Polish coal balances the coal deficits of East Germany and Czechoslovakia and is even supplied in quantity to the USSR. In turn Poland has become increasingly dependent on the USSR for iron ore, nonferrous metals, and specialized machinery imports.

3. Specialized Economic Role Within the Bloc Economy.

In the formulation of the 1955-60 Bloc economic plans, Poland's particular role was determined to a considerable extent by its preexisting economic capabilities and by the recent developments in Polish industry. CEMA has assigned certain types of production to each member country in order to develop a mutually advantageous Bloc-wide division of labor. Poland is to specialize in combat aircraft, agricultural products, transportation equipment, medium tractors, automobiles, ships, and chemicals.

These special assignments are not always accepted gracefully, especially the trade quotas. For example, evidence exists that the USSR has forced Poland to export to other Satellites coal, grain, and agricultural products in quantities detrimental to the Polish economy.

Occasional conflicts of interest between the members of CEMA have arisen, and Poland has proved to be the Satellite least amenable to CEMA regimentation. For example, a conflict arose between Poland and Czechoslovakia over an allocation by CEMA of raw materials which were imported from the West. Poland is also reported to have reduced exports of hard coal to East Germany radically in order to have more coal to exchange for food from the West. The conflicts between members have generally been smoothed or repressed by the USSR before they became too conspicuous.

- 10 -

S-E-C-R-E-T

S-E-C-R-E-T

In the framework of trade specialization, Czechoslovakia, East Germany, and Poland have made plans to coordinate their economies in order to form a more self-sufficient unit. At the same time, all three countries have indicated their intention of building up the chemical, electric power, and heavy industries so essential to their industrial development.

4. Soviet Aid to Poland.

Although Poland has borne internally the major portion of the cost of industrialization, since 1948 it has received 5 Soviet loans and credits totaling \$640 million, or 12 percent of all Soviet loans to the Bloc. The two largest loans, granted in 1948 and 1950, totaled \$550 million and provided for imports of Soviet capital goods for economic development under the Six Year Plan. These loans were designed to help Poland meet the Soviet demand that Polish heavy industry be developed rapidly. Beginning in 1950, Poland was required to build a large armaments industry to the detriment of other sectors of the economy. The remaining \$90 million was extended in three loans of about equal size in 1947, 1948, and 1956 to permit required imports of foodstuffs and raw materials from the USSR and the West.

The most recent loan of \$25 million was granted in September to assist Polish industry and to buttress the standard of living, as Polish resources had been spread too thin in the rapid industrialization program. At the same time, a moratorium on Polish debts was granted, and the USSR agreed to pay more for coal imports. The vast majority of Soviet credits to Poland have provided capital goods for industrial installations. Aid from the USSR has been used for the construction of the Lenin Metallurgical Works at Nowa Huta, the copper works at Legnica (Leignitz), the zinc works at Chrzanow, and many other establishments.

5. Industrial Productivity.

Poland claims that over-all labor productivity increased approximately 70 percent during the Six Year Plan and that this increase accounted for 60 percent of the total increase in industrial production. Gomulka, on the other hand, charged that worker incentive was so low that labor productivity declined in the Polish coal mines during the Six Year Plan period. It has been admitted officially that labor productivity in Polish cotton spinning mills is 30 percent below that of Czechoslovakia and 50 percent below that of the USSR

S-E-C-R-E-T

and that in machine tool building it is 50 percent below that of "the most developed capital countries."

Polish labor has undoubtedly been overworked, under conditions of discipline and terms of pay which have tended to divide the workers from the Communist regime and which reduce efficiency, lower the quality of the product, and increase its cost. Labor turnover, despite controls, has been high, and absenteeism has been rampant.

In consequence, a 48-hour workweek, frequent overtime, and Sunday work have become standard practice in order to meet production plans. Likewise the regime has maintained constant pressure for upward revision of labor norms.

6. Farm Output and Productivity.

Although the drive to collectivize Polish agriculture has succeeded in bringing only about 21 percent of the arable land into the socialist sector, the uncertain future for the private farmer, together with tax and quota pressures, has lowered the incentive to improve either land or agricultural techniques. The inefficient production record of the cooperatives and state farms was pointed out by Gomulka. Under these circumstances, indigenous food output is presently 15 percent below the prewar level.

7. Inflation and Poor Distribution.

As the consequence of rapid industrialization which emphasized the production of investment goods and armaments and was implemented under conditions of full employment, workers find themselves subject to chronic inflationary pressures. These pressures have been only partially offset by official price reductions, which frequently apply to types of goods not significant to the consumption pattern of the workers.

IV. Possibility of Changes in Poland's Economic Program.

A. Domestic Program.

Gomulka did not propose a complete new economic program. Rather he confined his statements largely to criticisms of the policies of his predecessors.

- 12 -

S-E-C-R-E-T

S-E-C-R-E-T

1. Industry.

Gomulka charged that Poland had overextended itself in the effort to build a comprehensive producer goods industry in a short period of time. He offered as evidence the necessity to seek a moratorium from Soviet loans. Although he presented no positive program for industry, Polish planners have already reduced investments scheduled during the Five Year Plan and deferred plans for the completion of the Nowa Huta Steel Plant. Implementation of Gomulka's policies may lead to revision of the Plan, currently under debate by the Sejm, and to a reduction of industrial investments as well as a cutback in the 5-year growth rate for industry, announced in the draft plan as 53 percent.

2. Agriculture.

The collectivization drive may be abated, and some unprofitable cooperative farms may be disbanded. If implemented, Gomulka's plan would give more freedom and greater responsibility to farm cooperatives. Investments hitherto made as grants to cooperatives would be made as long-term loans. Cooperatives would be permitted to acquire equipment, and machine tractor stations would be reduced to service and repair functions for which they would be held economically accountable. Gomulka offered no immediate concessions to private farmers other than to promise them relief from the threat of pressure to join collectives. He defended the quota system as a tax which must be collected in some form to sustain the state, and he pledged only to hasten the pending overhaul of the quota system and the elimination of inequities. Even if private farmers accept the new regime as friendly and even if the regime encourages private investment in farming, restoration of agricultural efficiency is a long-run problem. Moreover, since the socialized agricultural sector holds little more than one-fifth of the arable land, an improvement in the efficiency of this sector could not immediately or extensively better the total agricultural situation. In the short run, therefore, Poland probably will remain dependent on agricultural imports.

3. Consumer Goods.

Gomulka offered no quick relief to Polish consumers. He warned that to raise wage payments without increasing the availability of consumer goods would merely create a larger inflationary gap. There

- 13 -

S-E-C-R-E-T

S-E-C-R-E-T

is little doubt that the Polish economy is too inflexible to convert quickly to consumer goods production even if investment funds and manpower were made available at once. Increased investment in housing, however, could achieve some alleviation of the difficult housing situation. Little can be done for consumers in the immediate future except by imports. Poland already plans to increase imports of consumer goods in 1956 by 25 percent above 1955.

4. Industrial Management.

If Gomulka retains power, cost considerations may be used to a greater extent than in recent years as a guide to economic policy. In this event, efforts may be made to reduce subsidies, to reorganize plants, and to disband unprofitable farm cooperatives.

Presumably efforts will also be made to adjust production to availability of raw materials. Since Poland will continue to depend largely on imported raw materials, smoothly flowing production would require the establishment of ample reserve stocks.

Gomulka stated flatly that wages could not be increased without increases in labor productivity. This view has been common among the Communist leaders, and it does not indicate any greater liberality on Gomulka's part than on that of his predecessors. He did offer the workers a share in management, along the line recently demanded in several factory meetings. His offer, however, was restricted to an experimental scale and was coupled with a proposal to use profit sharing as an incentive to increasing labor productivity.

B. Foreign Trade.

1. Soviet Bloc.

It is premature to predict exactly what position Gomulka will take in relation to trade with the Soviet Bloc. Although he has indicated the necessity of rebuffing those who would weaken friendship with the USSR, he may seek to loosen present economic bonds with the Bloc on the pretext of establishing Poland's economic equality with respect to the USSR but in reality to seek better terms of trade.

- 14 -

S-E-C-R-E-T

S-E-C-R-E-T

2. Trade Policy.

Poland may strive for economic freedom and economic equality but is in no position to adopt a policy of economic isolation. The coal output of Poland places it in a good bargaining position with the USSR and the other Satellites. A sharp cutback of Polish coal shipments to East Germany would have a disruptive effect on the East German transportation system and would also embarrass East German heavy industry. At the same time, although Polish coal is in demand in Western Europe, domestic needs have outstripped the expansion of the coal industry to the extent that Poland has already had to make some reduction of coal exports. Furthermore, Poland is presently dependent to an extreme degree on the Soviet Bloc for iron ore, copper, aluminum, rubber, oil, and other industrial raw materials as well as for agricultural products. There is reason to believe that the USSR, which is itself in short supply for many of these products, has pressed Poland to seek non-Bloc sources of raw materials in order to reduce the drain on the Bloc for these scarce items. Although desirous of controlling the Polish economic system and keeping Polish coal within the Bloc, the USSR may not be averse to allowing Poland freedom to obtain raw materials outside the Bloc. Except for coal, however, Poland has little to offer the West. Polish machinery products may be acceptable to underdeveloped economies but may be hard to sell in Western markets. Moreover, if the economy is as overextended as Gomulka believes, Poland will find it difficult to offer financial terms sufficiently attractive to win new trading partners among the underdeveloped economies.

3. Council of Mutual Economic Assistance (CEMA).

Although Poland may desire more trading freedom than is permitted by the yoke of economic subservience to the USSR and economic fellowship with other Satellites, it is likely to weigh carefully the advantages of CEMA membership before striking out on an independent economic course. Poland may, like Yugoslavia, choose to pursue the benefits of membership in two economic systems. Even before Gomulka came to power, Poland had dropped well-placed hints that it would be receptive to offers of Western financial assistance.

- 15 -

S-E-C-R-E-T

S-E-C-R-E-T

4. Economic Penetration Movement.

By means of numerous trade treaties, Poland has supported the Soviet economic penetration movement with considerable success in the Near East, Middle East, and Southeast Asia. Little has been accomplished by Poland in Latin America, but in Europe treaties have been made with Yugoslavia and Portugal. Because these countries offer better prospects for an exchange of industrial raw materials for Polish machinery and industrial equipment than the advanced economies of Western Europe, Poland is likely to seek to develop such trade within its limited financial capabilities.

- 16 -

S-E-C-R-E-T

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S-E-C-R-E-T

S-E-C-R-E-T

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